

**Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana**

Consolidated Financial Statements With Auditors' Report

For the Years Ended December 31, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/29/07

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana

We have audited the accompanying consolidated statements of financial position of Shreveport-Bossier Community Renewal, Inc. (a nonprofit organization) and its wholly owned subsidiary, as of December 31, 2006 and 2005, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Shreveport-Bossier Community Renewal, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shreveport-Bossier Community Renewal, Inc. and its wholly owned subsidiary, as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2007, on our consideration of Shreveport-Bossier Community Renewal, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Cook & Morehart
Certified Public Accountants
June 19, 2007

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 110,862	\$ 113,641
Contract and grants receivable	160,237	
Total current assets	<u>271,099</u>	<u>113,641</u>
 Cash restricted for houses and building renovations		102,844
 Fixed assets:		
Land	295,649	200,649
Office furniture and equipment	60,006	70,632
Residential houses and improvements	1,349,108	1,497,226
Other buildings	572,912	
Vehicles	145,162	145,662
Leasehold improvements	1,572	1,572
National center - land and building	2,362,754	885,571
	<u>4,787,163</u>	<u>2,801,312</u>
Less accumulated depreciation	<u>(378,888)</u>	<u>(322,316)</u>
 Net fixed assets	<u>4,408,275</u>	<u>2,478,996</u>
 Total assets	<u><u>\$ 4,679,374</u></u>	<u><u>\$ 2,695,481</u></u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 449,157	\$ 74,435
Accounts payable - payroll related	457,975	487,021
Accrued expenses	15,598	
Refundable advance		72,820
Lines of credit	95,260	98,440
Current portion of long-term debt	970,342	98,418
Total current liabilities	<u>1,988,332</u>	<u>831,134</u>
 Long-term debt, less current portion	<u>1,023,261</u>	<u>714,539</u>
 Total liabilities	<u>3,011,593</u>	<u>1,545,673</u>
 Net assets:		
Unrestricted	1,595,120	1,037,628
Temporarily restricted	72,661	112,180
Total net assets	<u>1,667,781</u>	<u>1,149,808</u>
 Total liabilities and net assets	<u><u>\$ 4,679,374</u></u>	<u><u>\$ 2,695,481</u></u>

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Activities
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contractual revenue - grants	\$ 1,021,313	\$	\$ 1,021,313
Contributions	1,954,494	50,000	2,004,494
Rent Income	33,200		33,200
Interest Income	1,121		1,121
Net assets released from restrictions:			
Satisfaction of restrictions	89,519	(89,519)	
Total revenues and other support	<u>3,099,647</u>	<u>(39,519)</u>	<u>3,060,128</u>
Expenses and Losses:			
Program services:			
Internal care unit program	890,946		890,946
Haven House program	108,328		108,328
Renewal Team	158,751		158,751
Other programs	414,801		414,801
Replication	258,304		258,304
Total program services	<u>1,831,130</u>		<u>1,831,130</u>
Supporting services:			
General and administrative	458,185		458,185
Development and fund raising	252,840		252,840
Total supporting services	<u>711,025</u>		<u>711,025</u>
Total expenses	<u>2,542,155</u>		<u>2,542,155</u>
Change in net assets	557,492	(39,519)	517,973
Net assets as of beginning of year	<u>1,037,628</u>	<u>112,180</u>	<u>1,149,808</u>
Net assets as of end of year	<u>\$ 1,595,120</u>	<u>\$ 72,661</u>	<u>\$ 1,667,781</u>

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Activities
For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contractual revenue - grants	\$ 257,767	\$	\$ 257,767
Contributions	1,753,126	65,000	1,818,126
Rent income	2,051		2,051
Interest income	141		141
Net assets released from restrictions:			
Satisfaction of restrictions	19,252	(19,252)	
Total revenues and other support	<u>2,032,337</u>	<u>45,748</u>	<u>2,078,085</u>
Expenses and Losses:			
Program services:			
Internal care unit program	757,861		757,861
Haven House program	83,149		83,149
Renewal Team	135,693		135,693
Other programs	283,752		283,752
Replication	261,717		261,717
Total program services	<u>1,522,172</u>		<u>1,522,172</u>
Supporting services:			
General and administrative	440,911		440,911
Development and fund raising	313,374		313,374
Total supporting services	<u>754,285</u>		<u>754,285</u>
Total expenses	<u>2,276,457</u>		<u>2,276,457</u>
Change in net assets	(244,120)	45,748	(198,372)
Net assets as of beginning of year	<u>1,281,748</u>	<u>66,432</u>	<u>1,348,180</u>
Net assets as of end of year	<u>\$ 1,037,628</u>	<u>\$ 112,180</u>	<u>\$ 1,149,808</u>

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2006

	Program Services				Total Program Services	General and Administrative	Development & Fund Raising	Total Expenses
	Haven House	Internal Care unit	Renewal Team	Other Programs				
Personnel	\$ 87,572	\$ 500,153	\$ 117,771	\$ 118,727	\$ 953,290	\$ 284,878	\$ 143,084	\$ 1,361,251
Payroll taxes & fringe benefits	5,200	72,678	8,158	7,471	113,297	35,807	17,319	166,423
Professional Fees	718	2,898	718	70,630	74,966	12,160	1,058	88,182
Contract Labor	3,033	72,176	15,000	30,333	128,543	2,947	150	131,639
Rent		9,808			9,808	2		9,808
Utilities	2,713	37,553	2,713	5,345	48,324	5,507	1,163	54,994
Repairs and maintenance		31,292		3,414	35,091	8,673	824	44,588
Computer	381	9,045	543	246	10,562	2,716	2,472	15,751
Interest Expense				81,507	81,507	50,580		132,087
Telephone	1,325	6,948	1,475	65	9,943	2,524	1,888	14,335
Travel and seminars		147	945	43,525	45,002	598	4,340	49,938
Special Trips & Events	40	24,795	254	25,685	50,856	442	17,204	68,502
Business meals	1,659	504	531	619	4,207	536	5,003	9,746
Supplies and office expense	3,422	24,577	6,539	1,080	35,886	8,252	9,588	53,726
Postage	483	2,841	2,084	656	6,534	13,198	10,918	30,648
Printing and Copying	644	1,533	793	26	3,044	38,867	36,695	78,406
Insurance		35,723		9,541	45,797	2,927	352	49,077
Depreciation		45,949		15,930	62,830	4,985		67,595
Other	95	1,466	95		1,657	1,339	361	3,358
Equipment	1,033	10,881	1,032		12,926	1,489	443	14,837
Subrecipient pass thru					97,263			97,263
Total	\$ 108,328	\$ 890,946	\$ 158,751	\$ 414,801	\$ 1,831,130	\$ 458,185	\$ 252,840	\$ 2,542,155

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2005

	Program Services				Total Program Services	General and Administrative	Development & Fund Raising	Total Expenses
	Internal Care Unit	Haven House	Renewal Team	Other Programs				
Personnel	\$ 430,427	\$ 69,595	\$ 86,678	\$ 230,183	\$ 976,993	\$ 245,320	\$ 189,936	\$ 1,422,249
Payroll taxes & fringe benefits	50,861	4,489	8,655	18,348	87,354	54,689	26,542	168,585
Professional fees	180				180	16,730		16,920
Contract labor	73,974		15,000	667	169,641	525	25	170,191
Rent	12,881		27		12,908	2		12,910
Utilities	29,002	1,796	1,749	3,352	35,899	7,802	3,684	47,385
Repairs and maintenance	17,103	121	127	546	30,474	11,471	4,038	45,983
Computer	7,938	141	194	689	9,118	3,987	747	13,832
Interest expense	8,508				9,908	38,135		48,043
Telephone	8,478	210	485	1,104	10,348	5,446	2,460	18,252
Travel and seminars	1,748		409	21,335	30,458	3,386	4,377	38,201
Special events	18,529	1,343	423	2,338	23,102	1,475	20,998	45,576
Business meals	92	1,197	393	2,041	5,437	1,233	6,247	11,917
Supplies and office expense	14,878	1,554	184	715	18,980	12,010	771	31,741
Postage	927	195	131	1,124	2,578	15,146	6,839	24,581
Printing and copying	2,177	1,936	4,312	358	8,818	10,767	35,192	54,777
Insurance	33,385				33,385	5,130		38,515
Depreciation	45,627	562	562	562	47,313	2,769	2,151	52,222
Other	1,536		7,364	392	9,292	4,939	367	14,598
Total	\$ 757,861	\$ 83,149	\$ 135,693	\$ 283,752	\$ 1,522,172	\$ 440,911	\$ 313,374	\$ 2,276,457

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating activities		
Change in net assets	\$ 517,973	\$ (198,372)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated residential house and equipment		(15,000)
Depreciation	67,595	52,222
Contributions restricted for residential houses		(52,844)
(Increase) decrease in operating assets		
Accounts receivable	(160,237)	476
Increase (decrease) in operating liabilities		
Accounts payable	345,676	514,606
Refundable advance	(72,820)	48,900
Accrued expenses	15,598	
Net cash provided by operating activities	<u>713,785</u>	<u>349,988</u>
Investing Activities		
Payments for fixed assets	(1,521,976)	(516,109)
Proceeds from disposition of property		97,830
Net cash (used in) investing activities	<u>(1,521,976)</u>	<u>(418,279)</u>
Financing Activities		
Net Increase (decrease) in line of credit	(3,180)	(191,177)
Proceeds from long-term debt	1,014,930	409,410
Payments on long-term debt	(309,284)	(87,981)
Investment in building	102,946	
Net cash provided by financing activities	<u>805,412</u>	<u>130,252</u>
Net increase (decrease) in cash	(2,779)	61,961
Cash as of beginning of year	<u>113,641</u>	<u>51,680</u>
Cash as of end of year	<u>\$ 110,862</u>	<u>\$ 113,641</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 120,134</u>	<u>\$ 45,182</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Donated fixed assets	<u>\$</u>	<u>\$ 15,000</u>
Purchase of land and building by incurring note payable	<u>\$ 475,000</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The accompanying consolidated financial statements include the financial position and operating activities of Shreveport-Bossier Community Renewal, Inc. (S-BCR) and its wholly owned subsidiary, Shreveport Property, Inc. until February 27, 2006. On February 26, 2006, Shreveport Property, Inc. was merged into National Center For Community Renewal, L.L.C., a Louisiana limited liability company, with the LLC being the surviving entity. S-BCR owns all of the membership interests of the LLC. All significant interorganization transactions and balances have been eliminated.

Shreveport-Bossier Community Renewal, Inc., (S-BCR), is a private nonprofit organization incorporated under the laws of the State of Louisiana.

National Center For Community Renewal, L.L.C., is a Louisiana limited liability company whose activities consist of owning and operating an office building in downtown Shreveport.

The S-BCR's bylaws indicate that its primary purpose is to rebuild the system of caring relationships necessary to restore a safe, loving, and nurturing community.

The following significant program services are included in the accompanying financial statements:

Internal Care Unit – A strategy of S-BCR that restores disintegrating neighborhoods by moving leaders to live in the neighborhood to establish Friendship Houses that provide structured programs for children and youth and serve as catalysts to link the neighborhood residents with resources in the community and rebuild the capacity of the neighborhood.

Haven House – A program to prepare a network of volunteer leaders to develop safe and caring neighborhoods block-by-block throughout our communities. Seven hundred leaders have been identified on neighborhood blocks across the socio-economic spectrum. These leaders are trained and empowered to systematically reach out to their neighbors, making their neighborhoods safer and more caring.

Renewal Team – A city-wide strategy to unite businesses, churches, civic groups, residents and others as caring partners building a stronger city. The Renewal Team makes the positive aspects of modern life more obvious. These efforts help people to take pride in their community and feel empowered to continue helping others with caring acts.

Replication – The process of teaching other individuals and organizations how to replicate the S-BCR model of community renewal in their own communities; providing technical assistance to other groups involved in this endeavor.

Other Programs – This includes the activities of Operation Hope, the Discipleship Today Ministry, and International Relations.

B. Basis of Accounting

The financial statements of S-BCR have been prepared on the accrual basis of accounting.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. S-BCR's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of S-BCR and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of S-BCR and/or the passage of time.

D. Income Tax Status

S-BCR is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to S-BCR's tax-exempt purpose is subject to taxation as unrelated business income. S-BCR had no significant income for this audit period subject to taxation as unrelated business income resulting in income tax expense.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, S-BCR considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G. Fixed Assets

Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. S-BCR capitalizes items with an individual cost of \$1,000 or more as fixed assets. Depreciation is computed using the straight-line and accelerated methods over the estimated useful life of the assets as follows:

Office furniture and equipment	5 – 10 years
Residential houses and improvements	10 – 40 years
Other buildings	30 years
Vehicles	5 years
Leasehold improvements	10 years

Depreciation expense for the years ended December 31, 2006 and 2005 was \$67,595 and \$52,222, respectively.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Retirement Obligations

The employees of S-BCR are members of the Social Security System. S-BCR also established a 403(b) retirement plan for eligible employees. No contributions were made by S-BCR into the plan for 2006 and 2005.

J. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. Contributed Items

Contributed items are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

L. Refundable Advances

S-BCR records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject S-BCR to concentrations of credit risk consist principally of temporary cash investments. S-BCR maintains cash balances at financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2005, S-BCR had cash balances that were not secured by FDIC insurance of \$40,642. At December 31, 2006, S-BCR had cash balances that were not secured by FDIC insurance of \$143,789.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

Concentrations of credit risk with respect to contract and grants receivable were limited due to the balance being comprised of amounts due from governmental agencies under contractual terms. As of December 31, 2006, S-BCR had no significant concentrations of credit risk in relation to contract grants receivable.

(3) Contracts and Grants Receivable

Various government agencies provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from those government agencies at December 31, 2006, but not received until after that date.

(4) Lines of Credit

S-BCR had two lines of credit at local banks with interest rates of 11.25%, and 8.25% at December 31, 2006. S-BCR had two lines of credit at local banks with interest rates of 10.75% and 7.75% at December 31, 2005. The lines of credit are unsecured. Balances at December 31 are as follows:

	<u>2006</u>	<u>2005</u>
Lines of credit limit	\$ 100,000	\$ 100,000
Outstanding loan balances	95,260	98,440

Total interest expense incurred on the lines of credit for the years ended December 31, 2006 and 2005 was \$8,860 and \$4,367, respectively.

(5) Temporarily Restricted Net Assets

The temporarily restricted net assets represent donations and contractual revenue received for specific purposes which were not expended at December 31, 2006 and 2005.

(6) Contractual Revenue - Grants

During the years ended December 31, 2006 and 2005, S-BCR received revenue under contractual arrangements as follows:

	<u>2006</u>	<u>2005</u>
City of Shreveport	\$ 75,000	\$ 90,000
U.S. Small Business Administration	265,741	-
U.S. Environmental Protection Agency	192,443	-
State of Louisiana, Office of Community Services	35,000	-
U.S. Department of Housing and Urban Development	453,129	167,767
	<u>\$ 1,021,313</u>	<u>\$ 257,767</u>

The continued existence of these contracts are based on contractual renewals.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

(7) Long-Term Debt

S-BCR had the following long-term debt at December 31:

	<u>2006</u>	<u>2005</u>
Note payable to a financial institution; interest rate of 2.0% on the first 60 payments of \$323 and 4.0% on the remaining 60 payments of \$344; final payment due August, 2013; secured by a residential house and land.	\$ 23,868	\$ 27,226
Note payable to a financial institution; interest rate of 4.1%; 180 monthly installments of principal and interest of \$1,080 with final payment due August, 2018; secured by real estate.	119,202	127,095
Note payable to an insurance company; interest rate 7.00%; payable in 59 monthly payments of \$1,597 beginning December 1, 2006, final payment due November 1, 2010; secured by real estate.	237,872	239,803
Note payable to an insurance company; interest rate 7.00%; payable in 59 monthly payments of \$3,160 beginning May 1, 2006, final payment due April 1, 2011; secured by real estate.	471,781	-
Note payable to a bank; interest rate 1.75% above specified index rate, 10.25% at December 31, 2006; loan maturing March, 2007; secured by real estate.	126,427	133,480
Note payable to a bank; interest rate 6.25%; payable in 59 monthly payments of \$1,453 beginning May 25, 2006 with the final payment due April 25, 2010; secured by real estate.	157,553	164,800
Note payable to a bank; interest rate 6.50%; loan maturing October, 2008; monthly installments of principal and interest of \$1,000; the note is unsecured.	20,710	31,007
Note payable to a bank; interest rate of 6.00%; 60 monthly installments of principal and interest of \$559; with final payment due August, 2008; secured by real estate.	35,130	39,557
Note payable to a bank; interest rate 10.25%; total payment including accrued interest due March 31, 2007; the note is unsecured.	20,060	49,989
Note payable to an individual; interest rate 6.00%; total payment including accrued interest due February 1, 2007; the note is unsecured.	100,000	-
Note payable to a bank; interest rate prime + .5%, 9.25% at December 31, 2006; the note is a demand note with interest payments due monthly; the note is unsecured.	535,000	-

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

Note payable to a bank; interest rate prime + 1.00%, 9.75% at December 31, 2006; the note is a demand note and unsecured.	30,925	—
Note payable to a bank; interest rate 8.25%; total payment including accrued interest due March 1, 2007; the note is secured by accounts receivable.	<u>115,075</u>	<u>—</u>
Total long-term debt	1,993,603	812,957
Current portion of long-term debt	<u>(970,342)</u>	<u>(98,418)</u>
Long-term portion	<u>\$ 1,023,261</u>	<u>\$ 714,539</u>

Interest expense incurred on long-term debt for the years ended December 31, 2006 and 2005 was \$123,227 and \$40,815, respectively.

Approximate maturities of long-term debt at December 31, 2006 are summarized as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2007	\$ 970,342
2008	68,690
2009	30,122
2010	381,158
2011	462,750
2012 and after	<u>80,541</u>
	<u>\$ 1,993,603</u>

(8) Leases

S-BCR leases certain office space and equipment under operating leases. Rental costs for these leases for the years ended December 31, 2006 and 2005 was \$6,037 and \$7,474, respectively. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year at December 31, 2006 were as follows:

2007	\$ 5,115
2008	5,115
2009	2,931
2010	747
2011	<u>187</u>
	<u>\$ 14,095</u>

(9) Accounts Payable—Payroll Related

This balance represents amounts due at December 31, 2006 and 2005, to employees of S-BCR and certain contract labor vendors for services rendered but not paid. An agreement was made between the employees and S-BCR in regards to the amount shown as accounts payable—payroll related.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2006 and 2005
(Continued)

(10) Related Party

S-BCR borrowed \$240,000 during 2005 and \$475,000 during 2006 from an insurance company of which a board member of S-BCR is part owner. These two loans were incurred to purchase real estate. The balance of these two loans at December 31, 2006 and 2005 were \$709,653 and \$239,803 respectively.

(11) Subsequent Events

On January 10, 2007, S-BCR transferred two different real estate properties to the National Center for Community Renewal, L.L.C. S-BCR owns all the membership interests of this LLC. The two mortgages on the properties were also transferred to the LLC.

On February 16, 2007, a new promissory note for \$1,272,000 was obtained between the National Center for Community Renewal, L.L.C. and an insurance company, of which a board member of S-BCR is part owner. This new loan paid off the previously mentioned two mortgages and provided approximately \$560,000 of funding to be used for payment of renovations and operations.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
CDBG/Brownsfield Economic Development Initiative	14.246	B-04-SP-LA-0294	\$ 206,202
CDBG/Brownsfield Economic Development Initiative	14.246	B-06-SP-LA-0397	246,927
<u>U.S. Environmental Protection Agency</u>			
Direct Program:			
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF96637301-0	192,442
<u>U.S. Small Business Administration</u>			
Direct Program:			
Congressional Mandated Award	59.000	SBAHQ-06-I-0007	265,741
			<u>\$ 911,312</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana

We have audited the financial statements of Shreveport-Bossier Community Renewal, Inc. (a nonprofit organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport-Bossier Community Renewal, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport-Bossier Community Renewal, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Shreveport-Bossier Community Renewal, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport-Bossier Community Renewal, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such

an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a stylized flourish extending from the end.

Cook & Morehart
Certified Public Accountants
June 19, 2007

COOK & MOREHART

Certified Public Accountants

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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of Shreveport-Bossier Community Renewal, Inc. (a nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Shreveport-Bossier Community Renewal, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shreveport-Bossier Community Renewal, Inc.'s management. Our responsibility is to express an opinion on Shreveport-Bossier Community Renewal, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shreveport-Bossier Community Renewal, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shreveport-Bossier Community Renewal, Inc.'s compliance with those requirements.

As described in item 2006-C1 in the accompanying schedule of findings and questioned costs, Shreveport-Bossier Community Renewal, Inc., did not comply with requirements regarding the Davis-Bacon Act for its Brownsfield Assessment and Cleanup Cooperative Agreements Program CFDA #66.818. Compliance with such requirements is necessary, in our opinion, for Shreveport-Bossier Community Renewal, Inc., to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Shreveport-Bossier Community Renewal, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Shreveport-Bossier Community Renewal, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shreveport-Bossier

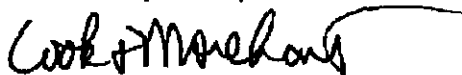
Community Renewal, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shreveport-Bossier Community Renewal, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
June 19, 2007

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2005

A single audit was not done for the year ended December 31, 2005.

Schedule of Findings and Questioned Costs
December 31, 2006

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Shreveport-Bossier Community Renewal, Inc.
2. No significant deficiencies are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Shreveport-Bossier Community Renewal, Inc. were disclosed during the audit.
4. No significant deficiencies are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the Brownsfield Assessment and Cleanup Cooperative Agreements CFDA #66.818 federal award program expresses a qualified opinion; the report on the remaining programs is unqualified.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: 1) CFDA #14.246 – Community Development Block Grants/Brownsfield Economic Development Initiative, 2) CFDA #66.818 – Brownsfield Assessment and Cleanup Cooperative Agreements.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Shreveport-Bossier Community Renewal, Inc. does not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit – None

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Schedule of Findings and Questioned Costs
December 31, 2006
(Continued)

C. Findings and Questioned Costs – Major Federal Programs Audit

2006 – C1

**BROWNSFIELD ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS – EPA
CFDA #66.818**

Statement of Condition: Contractors paid under this program were notified of the requirements to comply with the Davis-Bacon Act. Shreveport-Bossier Community Renewal, Inc. did not obtain or monitor certified payrolls from the contractors.

Criteria: Certified payrolls should be monitored by the grantee in accordance with the Davis-Bacon Act.

Effect: Costs paid to contractors subject to the Davis-Bacon Act could be disallowed.

Recommendation: We recommend the grantee monitor payrolls from contractors to comply with the Davis-Bacon Act.

Response: The contractor involved in this project did comply with the Davis-Bacon Act. We have had discussions with the contractor in which they have confirmed to us that prevailing wages were paid in accordance with Davis-Bacon. Shreveport-Bossier Community Renewal, Inc. is now in the process of verifying the certified payrolls from the contractor.

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Schedules for Louisiana Legislative Auditor
December 31, 2006

Summary Schedule of Prior Audit Findings

Prior year management letter comments are addressed below for the audit for the year ended December 31, 2005:

Comment #1: Restricted Funds

No comment for audit for year ended December 31, 2006.

Comment #2: Credit Card Receipts

No comment for audit for year ended December 31, 2006.

Comment #3: Time and Effort Reports

No comment for audit for year ended December 31, 2006.

Corrective Action Plan for Current Year Audit Findings

There was one finding for the audit for the year ended December 31, 2006. See managements response in the schedule of findings and questioned costs. There were no management letter comments for the year ended December 31, 2006.